



**national farmers union**

*In Union Is Strength*

National Office  
250C - 2nd Ave. S.  
Saskatoon, Sask. S7K 2M1  
(306) 652-9465

CA1

WB

= M25

M2

**National Farmers Union**

**Submission**

**to the**

**Advisory Committee to The Canadian Wheat Board**

**on the subject of**

**Quota Review**

**Winnipeg, Manitoba**

**December 31, 1987**



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We welcome this opportunity to contribute toward the quota review being undertaken by your committee.

Orderly marketing is the cornerstone of NFU policy and includes these basic concepts:

- a) Control of the product into, through and out of the marketing system to meet market demand;
- b) Single desk selling;
- c) Equality of delivery opportunity between producers;
- d) Pooling of returns and costs among producers;
- e) Elimination of manipulation, speculation and waste.

These basic concepts of NFU policy are, we believe, consistent with the primary and secondary objectives of Canadian Wheat Board policy outlined in your Committee's terms of reference.

We believe the quota system must continue to apply to all grains delivered directly to country and terminal elevators and be assigned on a cultivated acreage basis. Inland terminal elevators should not be accorded special quota allocations.

It must be assumed that the Board or the Advisory Committee have detected flaws or faults with the current quota system or the present review would not be necessary. We do not know the specific nature of operational problems that may exist with the present quota system but, in our view, problems with the quota system may be caused by constraints elsewhere in the system. We wish to outline a few constraints as we recognize them.

1. The Canadian Wheat Board is responsible for the allocation of delivery quotas on the six major grains and oilseeds, wheat,





barley, oats, rye, flaxseed and canola. It is, however, responsible for only the export marketing of wheat, oats and barley and for the domestic marketing of these three grains used for human consumption and produced within the designated area of its jurisdiction.

If the C.W.B. had the marketing responsibility, domestic and export, for all grains and oilseeds over which it now has delivery quota powers, it could better assure that only those grades and kinds of grain for which there is export demand would be consigned to terminal facilities.

This would in turn permit the more efficient use of terminal facilities since it would enable full cargo loading of present non-board grain and oilseeds if they could be consigned to a common terminal upon arrival by rail to port.

2. Joint-running rights on Canada's two major railways still do not exist. This results in some grain shipments from country elevators not reaching terminal destinations by the shortest possible route. To the extent that this causes delay in meeting export commitments or distracts from completing additional export sales, additional delivery quotas are lost which might result if a more efficient rail transportation system were in place.

3. The Canadian Transportation Commission has for the current crop year authorized the use of variable grain freight rates at 47 designated main line delivery points on CN Rail lines for multiple car loadings of 18 cars. Because quotas and grain cars are allocated by train run, this enables elevator companies to give priority in car allocation to some delivery points ahead of others. This, in turn, encourages some producers to by-pass their nearest delivery points to deliver to more centralized points where space may be created more quickly.

The Committee needs to consider the extent to which the discretionary powers of elevator companies to assign rail cars to centralized delivery points within train runs discriminates against producers who may wish to deliver their quotas to elevator locations nearer their farms. This move toward centralization and the narrowing of delivery options by producers is likely to increase in future as





both rail lines and all elevator companies participate in centralization strategies created by variable rates.

4. The dual marketing system for feed grains has necessitated the establishment of dual quota systems for Board and off-board deliveries. We do not believe this has always brought about the desired results for either the Board or off-board markets. In some cases the Board has not been sufficiently certain it could supply export sales because it did not have control of off-board grain within the system or it did not know whether grain still on farms would be delivered to the Board at a time required to meet export demand.

In response to this uncertainty, the Board has devised a barley contract program with producers which has been intended to provide it with a more realistic stock control and opportunity to develop export programs.

While we appreciate the motivation for contract programs, they do in fact represent a deviation from the equality of delivery opportunity principle of the quota system since not all producers may be able to avail themselves of a contract to deliver to the Board even though it may be their desire to do so. This may lead to larger farm carry-over stocks for them.

We would instead propose the establishment by the Board of a Market Assurance Plan (MAP) which would be accessible to all producers.

The following principle points represent the basic proposal for a Market Assurance Plan (MAP):

1. As other grains and oilseeds come under Board jurisdiction, they become eligible for the Plan.

2. That the cash advance program be continued.

3. A special page or pages be provided in each delivery permit book to record all transactions relating to MAP.

4. At the conclusion of harvest or before December 1 in each year, a producer who wishes to participate in MAP would declare in the permit book the quantities and estimated grades of each kind of grain to be delivered to the Board during the crop year. NOTE: This would make MAP a voluntary plan.



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If, by the end of a crop year, a producer had been unable to deliver the quantity of grain he/she had committed for delivery, the amount of undelivered grain would become MAP grain.

5. The Board would continue to use a quota system on cultivated acreage to call grain forward and to share delivery opportunity among producers.

6. Failure to have declared in the permit book (No. 4 above) would disqualify a producer from participation in MAP.

7. Each application would be accompanied by an affidavit signed by the applicant that the stated quantities of grain are stored on the farm.

8. Each application would state:

a) The kind, amount and estimated grade of each grain being committed to MAP.

b) Land description where the grain is stored.

c) Names and addresses of all persons who have an interest in each kind of grain, and the extent of each person's interest.

d) The person or persons to whom payments are to be made.

e) The person to whom storage payments are to be made.

f) A guarantee that the grain will be kept in good condition.

g) The delivery point to which a producer wishes to deliver the grain.

9. Each application to be signed by all persons who have an interest in the grain.

10. Upon acceptance of the application by the Board, and after deducting any outstanding cash advances from previous years, the country elevator manager would issue to each person whose grain has been accepted by MAP, a cheque as an initial payment for the grain at an amount per tonne equal to the initial payment at July 31 at the producer's delivery point for the crop year just ended.

11. On the first day of November and on the first day of each succeeding three-month period, the Board would mail to each person to whom storage is to be paid [8(e) above], a cheque for an amount per tonne for storage equal to an amount that would be paid if the grain were stored in a licensed elevator.

12. Each person to whom storage is paid shall be responsible to ensure MAP grain is kept in good condition.

13. Storage payments would cease at the end of the three-month period in which the permit holder is notified to deliver grain to an elevator (or such other person identified by the Board).

14. When MAP grain is needed by the Board, the Board shall notify the permit holder by Registered Mail, and the permit holder shall deliver the grain to an elevator (or such other person identified by the Board).



15. The Board shall make MAP grain available to the local market when arrangements are made with the Board.

16. The Board shall consider MAP grain as a reserve to be called into the system when regular quotas do not bring forward grain needed to meet sales commitments.

17. MAP grain called forward by the Board shall become part of the Pool for the crop year in which the grain is delivered to the Board.

18. All interest and storage costs associated with MAP to be paid by the federal government.

19. All administrative costs associated with MAP to be paid by the Board.

20. Regulations provided for penalties for abuse to be drawn up by the Board.

We recommend it be implemented.

The recent U.S.-Canada Free Trade Agreement is a new cause for concern not only to the security of the Board and its future operations but to the quota system as well.

Article 705 of the Agreement spells out the provision whereby Canada, in reality the Board, will in future need to "eliminate any import permit requirements for wheat and wheat products, oats and oat products, or barley and barley products, as the case may be, originating in the territory of the United States of America, except that Canada may require that the grain be:

"a) accompanied by an end-use certificate which has been completed by the importer of record declaring that it is imported for consumption in Canada and is consigned directly to a milling manufacturing, brewing, distilling or other processing facility for consumption at that facility;

"b) denatured if for feed use; or

"c) accompanied by a certificate issued by Agriculture Canada or its successors, if for seed use."

The elimination of import licensing will mean that we can expect more U.S. grain to be imported for consumption in our domestic market. Please note that requirements for end-use certificates, denaturing or certificates for seed use are made discretionary by the use of the word "may" rather than mandatory through the use of "shall". This type of loose provision is closely aligned to deregulation.





lation philosophy and could very well contribute toward undermining domestic access, quotas and quota regulations, as well as the future functioning and effectiveness of the Board itself.

We recommend that the Advisory Committee immediately undertake a study of the possible implications to the future operations of the Board which may occur as a result of the Free Trade Agreement. We do not believe farmers in general are prepared to sacrifice an effective orderly grain marketing system in exchange for the U.S. open-market system which is guaranteed to survive any possible future elimination of U.S. farm subsidies. We also do not believe that Canadian grain producers wish to be integrated into a continental grain economy over which U.S. multinationals exercise dominant control. The bottom line of the U.S. grain pricing system is lower producer prices rather than a commitment to maximize producer returns. Contracting by grain companies with producers for grain deliveries could in future become the rule rather than the exception.

We commend the Committee for having taken the initiative to engage in this study and urge that it consider the concerns we have expressed.

All of Which is Respectfully  
Submitted by:

NATIONAL FARMERS UNION







